

Fostering Development Through Public-Private Cooperation

Atyrau, Kazakhstan

Background

Officials of the City of Atyrau (population 150,000) recognized the economic development potential of the nearby Caspian Sea oil fields and the presence there of two international oil exploration consortia. Atyrau received little financial benefit from the presence of the consortia, however, because the city's infrastructure was so poor that the two oil companies had set up operations away from the city. The city was resource rich but economically depressed. To obtain benefits from the oil exploration, city officials created the Atyrau Development Corporation (ADC).

Innovation

City officials set up a development corporation with public and private sector funding. The ADC has a nine member board that includes citizens and representatives from the public and private sector. The mayor serves as chairman of the board. The oil consortia have two representatives on the board and partially fund the operating costs of the ADC. The ADC has a staff of three, excluding administrative support. The ADC has three principal objectives: (1) to organize support for the city to obtain tax and investment benefits from the oil exploration, (2) to develop a comprehensive plan for Atyrau to finance needed infrastructure, economic development, and quality of life improvements, and (3) to develop the basis for effective public-private cooperation to support development and implementation of the plan. The plan envisions a ten-year, \$587 million program, which will be funded by the public and private sectors.

The key to making the ADC effective was obtaining, early in the process, the commitment and involvement of the city leadership, the national government, and private investors in the Caspian area.

Results

The ADC secured commitments from the national government that assure Atyrau both royalty and tax revenue from future oil production. These future revenue streams will be used to repay the loans made to Atyrau to finance its development plan. Atyrau will request a World Bank loan to help finance implementation of the development plan. The national government has approved the first loan request, and preliminary discussions have been held with World Bank officials. The development plan and related financial plans have been completed. The initial development program, which will cost an estimated \$104 million, includes water and sewer improvements, roads, and drainage. The oil consortia have committed to fund technical assistance through the ADC and to relocate staff and facilities to Atyrau as the infrastructure is improved.

Summary

To obtain benefits from the exploration of nearby oil fields and fund needed infrastructure, the City of Atyrau created the Atyrau Development Corporation (ADC). The ADC has completed development and financial plans and has received commitments from the national government and the oil consortia that will ensure funding for Atyrau's economic development efforts.

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